

# John D. Rockefeller, Standard Oil, and 3¢-a-barrel crude oil

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**I**f you want to understand inflation, supply and demand, antitrust, monopoly, competition, and some other economics terms, you need look no further than a company once known as Standard Oil.

The oil business was in its infancy and automobiles were just an idea when John Davison Rockefeller, at the age of 23, formed Rockefeller, Andrews & Flagler, a partnership whose ace-in-the-hole was Samuel Andrews' invention of an inexpensive process for refining crude oil into a fuel that could be burned for heat and power generation. Eight years later Rockefeller, Andrews & Flagler changed the name of their company to Standard Oil. In 1872, Rockefeller helped form a business known as South Improvement Company, an "association" of the oil refiners in Cleveland, OH. Rockefeller was able to work deals with railroads to give "rebates" on freight rates to members of the South Improvement Company while other refiners had to pay much higher prices to ship their products to the major markets of the east and midwest. For many, the option was to sell out to Rockefeller's Standard Oil Company—at pennies on the dollar.

By 1878, Standard Oil had acquired nearly

all the refineries in Cleveland, Pittsburgh, Philadelphia, and New York City. Four years later, Rockefeller and his partners formed Standard Oil Trust of Ohio which merged many smaller oil companies around the

United States into a single company. The Ohio Supreme Court dissolved the trust later that year but it was immediately reincorporated in New Jersey and continued to do business.

In 1890, Congress passed the Sherman Antitrust Act, but Rockefeller again reincorporated, this time as a "holding company."

Then, on January 10, 1901, on a slight rise called Sour Spring Mound outside Beaumont, Texas, a bunch of wildcatters uncorked one of the greatest single oil finds in history. It was called Spindletop and it took nine days for drillers to finally cap the gusher and get it under control. In the months that followed, the Spindletop field had nearly 500 producing oil wells.

The oil glut was suddenly so great that the price of crude oil

dropped to an all-time low--3¢ a barrel!

That sent oil producers and refiners like Rockefeller in search of new markets in railroads, manufacturing plants, and home heating, where oil was touted as a

much cheaper (and cleaner) alternative to coal. Looming on the horizon was perhaps the biggest market of all: automobiles.

By 1901 Rockefeller controlled 90% of the oil refining operations in the U.S. and controlled 70 companies and 23 major refineries. He literally held a monopoly on the oil industry.

A decade later, however, Rockefeller finally met his match, or matches: international competition and the Supreme Court. Canada, Peru, Romania, Poland, and other countries began developing their oil production and refining capabilities and encroaching on the U.S. market.

In 1911, the Supreme Court found the Standard Oil Company in violation of the Sherman Antitrust Act and ordered the company to break into 33 separate companies. It was out of that action

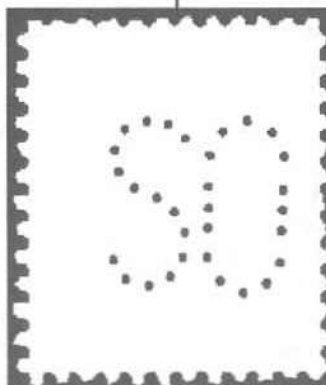
that Exxon, Mobil, Chevron, American, Marathon, Esso, and other major oil marketers were created.

That same year, Rockefeller retired as president of Standard Oil. He died in 1937, at age 98, in Ormand Beach, Florida. At various times during his life, he was reviled as a vicious cutthroat but also praised as a great philanthropist. He had a personal fortune of more than a billion dollars (those are 1900 dollars!!) and gave about half of it to charity. His name lives on in the Rockefeller Foundation and in New York City's Rockefeller Center. His creation, Standard Oil, lives in perfins history through more than 80 different variations on the SO pattern (S195), which was used in Standard Oil operations from Neodesha, Kansas, to Joliet, Illinois, Billings, Montana, Baton Rouge, Louisiana, Jacksonville, Florida, and Keokuk, Iowa—everywhere there was a Standard Oil refinery or shipping and marketing operation.

Forming a collection of Standard Oil perfins—just S195 and its variations alone—can be quite a challenge.

Of the 82 different patterns with the SO pattern, only one is an E-rate and that's the one used in Newark, New Jersey. Ten of the patterns are A-rates, an-

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another 20 are B or B+ rates, 24 are rated C or C+, and 27 are rated D or D+. Finding them on cover is even more of a challenge.

Forming a collection of perfin used by other oil companies, refineries, shippers, and related businesses can be an even greater challenge. However, if you formed a collection of perfin used by companies that were not connected to Standard Oil in some way, it will be significantly smaller.

*Most of the information for this article was drawn from Internet resources. The article itself was suggested by an article in the December/January 2001*

*American Heritage magazine. There have been numerous books written about Standard Oil and John D. Rockefeller. You can find them listed on the Internet at Amazon.com, or on the shelves of your local public library.*